

STAND. COM. REP. NO.

624

Honolulu, Hawaii

FEB 24, 2009

RE: H.B. No. 1639

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1639 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM PROPERTY REGIMES,"

begs leave to report as follows:

The purpose of this bill is to help condominium associations recover delinquent assessments by:

- (1) Eliminating the \$1,800 cap on special assessments that associations may impose on foreclosure sale purchasers of a delinquent unit with unpaid common expense assessments; and
- (2) Expanding the types of charges that may be recovered through these special assessments.

The Hawaii Legislative Action Committee of the Community Associations Institute, Hawaii Independent Condominium & Cooperative Owners, Hawaii Association of REALTORS, Hawaii Council of Associations of Apartment Owners, and several concerned individuals testified in support of this bill.

Currently, condominium associations may recover up to six months of unpaid assessments from the purchaser of a delinquent unit in a foreclosure sale, capped at \$1,800. Association losses from unpaid assessments are typically made up from the sale of the delinquent unit or by increases in assessments for the other owners. However in a weak housing market, many delinquent units

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carry debts that exceed the market value of the unit, and increases in owner assessments may lead to further delinquencies.

This bill enhances the ability of associations to fill these losses through special assessments on those who buy delinquent units at distress prices at foreclosure sales. The elimination of the \$1,800 cap on such special assessments addresses rising common expense costs, and expansion of the types of charges included in these assessments will help associations cover expenses for common elements and amenities that benefit all owners in a community.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1639 and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



